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DEPT FOR DRL/AWH AND ILSCR, WHA/MEX FOR DDARRACH, USDOL FOR
ILAB

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TAGS: ECON ELAB ETRD PGOV PINR MX
SUBJECT: AUTO INDUSTRY LABOR DISPUTE RESOLVED DESPITE, NOT
BECAUSE, OF COMPANY,S CODE OF CONDUCT

¶1. SUMMARY: A month,s long auto industry labor dispute was recently settled when the company, Fujikura Automotive Mexico, reached an agreement with disgruntled workers in the northern Mexican state of Coahuila. The dispute began this past June when Fujikura announced plans to layoff its entire workforce, void a collective bargaining agreement, and rehire the same workers at lower wages. When the workers objected to being paid less for the same job both the local authorities and some of their own union leadership attempted to convince them that taking a lower salary was better than no salary at all. The disgruntled workers were supported in their dispute by a labor organization called the Border Workers Committee (CFO). The CFO has close ties to the AFL-CIO and because of this it was accused of being an outside agitator working for organized labor interests in the U.S. Ultimately the workers settled for less than they had hoped but more than Fujikura wanted to pay. For the most part their claims closely followed Mexican Federal Labor and local customs which made it difficult for Fujikura to accuse them of making unreasonable demands. In the end a settlement was reached because the workers received the support of CFO, some of their lower level union leaders and the help of an outside negotiator. Appeals by the workers and their negotiator to the company,s Code of Conduct, the tool often pointed highlighted as a mechanism for softening the harsher aspects of global competition, appear to have played no real role in resolving this dispute. END SUMMARY

THE COMPANY WANTS A NEW DEAL
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¶2. In June of 2007 a protracted labor dispute erupted in the city of Piedras Negras in the northern Mexican state of Coahuila when the company, Fujikura Automotive Mexico, unilaterally attempted to cut its labor. Fujikura Automotive Mexico is part of a Japanese owned corporation with operations in Asia, Mexico and the US. In the US the corporation, Fujikura Ltd, owns two subsidiaries: Fujikura America Inc. and America Fujikura Ltd. In its plant in Piedras Negras, Fujikura produces automotive wire harnesses for Suburu,s Tribeca; Toyota,s Tundra, Camry and Corolla; and Chrysler,s Jeep Wrangler.
¶3. The Piedras Negras plant was owned by Alcoa until late
¶2005. Prior to that time, Fujikura and Alcoa operated a joint venture in Piedres Negras called Alcoa Fujikura Ltd for many years. When ownership of the plant passed solely to Fujikura in 2005 the company pledged to honor the workforce's

existing contract. Unfortunately for the workers, shortly after taking over the plant Fujikura decided that its pledge was too expensive. Discussions with the plant,s workers aimed at releasing Fujikura from its pledge dragged on but with unsatisfactory results from the company,s perspective. Consequently, Fujikura announced plans to layoff its entire workforce of 725 employees, void the existing collective bargaining agreement, and rehire the same workers under a new less expensive contract.

THE WORKERS RELUCTANTLY AGREE BUT (
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¶4. Not surprisingly the workers resisted the idea of abandoning the existing collective bargaining agreement, especially when that meant working at the same jobs but with reduced wages. When confronted with this situation the workers, who belong to the Confederation of Mexican Workers (CTM), turned to their local union leadership for guidance. The position of the senior union leadership in Piedras Negras was that a job with lower wages was better than being jobless and with no wages at all. Over time the local union leadership persuaded the workers to take the deal. The workers reluctantly agreed to accept a new contract with lower wages but they had a condition.

¶5. From the workers, perspective they were being fired from their jobs and as such they felt they should be formally &liquidated8 and given the full benefits of a liquidated employee under Mexican Federal Labor Law. Mexico Law requires employers to pay a substantial severance packaged called &liquidation8 whenever an employee is let go from their job. (Note: Liquidation consists of three month wages plus a complicated formula based on an employee,s years of service. Employers are legally required to pay liquidation



whenever an employee is dismissed regardless of whether the worker has already arranged subsequent employment.)

¶6. In addition to the liquidation benefits the workers also insisted on receiving an additional 20 days of salary for every year of seniority. The 20 days payment is not/not legally required under Mexican law but such payments had been routinely made by Alcoa whenever an employee was laid off due to workforce reductions. Fujikura refused to pay the additional 20 days salary and a protracted labor dispute began.

WORKERS DISAPPOINTED WITH UNION LEADERSHIP SEEK OUTSIDE HELP
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¶7. To the surprise and disappointment of the workers, their senior union leadership at both the state and local level, as well and the Piedras Negras city government, sided with Fujikura against them. Various attempts, accompanied by petty harassment from the union leadership and the city government, were made to compel the workers to accept Fujikura,s offer of a new lower wage contract but without liquidation and without the 20 days pay. At one point Fujikura threatened to simply fire the workers without even paying the liquidation benefits if they did not accept the company,s original offer. (Note: Fujikura,s threat was an empty gesture. Mexican federal labor authorities would certainly have compelled the company to pay the legally mandated liquidation benefits and there is no doubt that the workers were aware of this.)

¶8. Abandoned, from their perspective, by their senior union leadership the workers sought and found outside help. The help came from two sources, an organization called the Border Workers Committee (Comite Fronterizo Obrero -- CFO) and a local labor lawyer closely tied to Mexico,s main opposition political party, the Party of the Democratic Revolution (PRD). The help the workers obtained from the CFO and the labor lawyer added a new and complicating dimension to the dispute.

¶9. The CFO is an organization which describes itself as being dedicated to educating Maquiladora (foreign owned assembly plants) workers about their rights and supporting worker efforts to build more democratic unions. The CFO says it works all along the US/Mexico border but it appears that its efforts are mainly focused in the state of Coahuila. For

at least the past six years the CFO has received considerable support from the AFL-CIO. Because of this the organization was accused of being a tool of American organized labor interests whose sole function in Mexico was to serve as an outside agitator. In response the CFO repeatedly pointed out that its staff were all Mexican citizens exercising their right of freedom of association. Because of the labor lawyer,s close ties to the PRD he was accused of trying to create political unrest in the city of Piedras Negras.

A FUJIKURA CODE OF CONDUCT?
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¶10. The CFO and the labor lawyer both made extensive use of Fujikura,s code of conduct in supporting the workers in their struggle with the company. Fujikura,s code of conduct states: "While contributing to the betterment of society, we at Fujikura shall continue to strive to earn societal recognition as a good corporate citizen, and shall not only conduct ourselves in accordance with not only the letter and spirit of all laws, but also act in conformance with the ethics and morals of society at all times and in every situation." The use of the Fujikura,s code of conduct does not appear to have had much impact on the company but it did gain the workers some unexpected support.

¶11. As the labor dispute which began in June dragged on into late August some lower officials of the CTM began to distance themselves from their senior leadership. It is extremely rare in Mexico for lower level union officials to take public positions that differ from that of their senior leadership but in this case they were persuaded by the workers, the CFO, the labor lawyer and the discordance between Fujikura,s code of conduct and its actual behavior in Pedras Negras.

IN THE END IT WAS ALL DOLLARS AND CENT
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¶12. The high principals of Fujikura,s code of conduct notwithstanding, the dispute between the company and its workers was ultimately resolved through negotiation and a hard calculation of dollars and cents. Although Fujikura



claimed economic necessity compelled it to break its pledge with regard to the pre-existing collective bargaining contract and to resist the liquidation plus 20 days the workers were demanding, this claim did not hold up to close scrutiny. According to a variety of media sources, Fujikura,s Coahuila plant was a profitable operation even before the company decided to lower its labor costs by getting out of its collective bargaining agreement.

¶13. That profitability ended when the labor dispute began. By early September both the company and the workers were feeling the financial pain and serious negotiations finally began. In the end Fujikura agreed to pay the full liquidation benefits and offered an additional compensation of approximately USD 400,000 in lieu of 20 days the workers were demanding. This added compensation amounted to roughly 4.5 additional days of wages for each worker or 22 percent of their original demands. The workers accepted the new Fujikura offer and dispute formally came to an end of September 16.

COMMENT
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¶14. One of the devices frequently pointed to as a tool to soften the harsher aspects of global competition is the corporate code of conduct. It is, of course, impossible to generalize but in this particular case the corporation in question appeared fully prepared to ignore its code of conduct when it believed that by doing so it stood to achieve considerable financial gain. Again, in this particular case, what mattered most was a desire by the company to return a profitable operation to profitability. Judged on that basis, what ultimately enabled the workers and the company to reach an agreement was a willingness (caused buy financial needed) on both sides to sit down and seriously negotiate.

¶15. This message was cleared with AmConsul Nuevo Laredo and

AmConsul Monterrey.

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